



INDEPENDENT AUDITOR'S REPORT

To

**The Members,
The Kodungallur Town Co-operative Bank Ltd No.102,
Kodungallur.**

Report on the Financial Statements

1. I have audited the accompanying financial statements of **THE KODUNGALLUR TOWN CO-OPERATIVE BANK LIMITED – No.102** ('the bank') as at 31 March 2021 which comprise the Balance sheet as at 31st March, 2021 and the Profit and Loss Account and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the accounting standards issued by the Institute of Chartered Accountants of India, Banking Regulation Act,1949 (as applicable to co-operative societies) and the guidelines issued by the Reserve Bank of India. This responsibility includes the design, implementation, and maintenance of Internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

Auditor's Responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial



statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the Bank's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. I believe that the audit evidences I have obtained are sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

a) Gratuity

The bank has not taken actuarial valuation of gratuity liability as on 31-03-2021 considering the increase in salary on account of salary settlement agreement implemented with retrospective effect from 01-04-2018. Therefore, I am unable to quantify the actual liability of the bank at the end of the year. The bank has joined in Group Gratuity Scheme of Life Insurance Corporation of India and SBI Life Insurance Company Ltd. A provision of Rs. 51,00,000.00 towards gratuity liability has been made during the year. The Life Insurance Corporation of India has raised a demand for Rs. 1,55,85,881.00 on the basis of valuation made on 01-09-2020 before the salary settlement agreement. The Bank has paid Rs. 5 Lakhs to Life Insurance Corporation of India and Rs. 1 Crore to SBI Life Insurance Company Ltd. Premium of Rs. 1 crore paid to SBI Life Insurance Company Ltd. is also taken into account for arriving at the provision to be made. I could not ascertain the effect of the payment of Rs. 1 crore to SBI Life Insurance Company Ltd. towards premium and ascertain the extent of liability which the SBI Life Insurance Company Ltd. would cover since the provision has been made on the basis of demand raised by the Life Insurance Corporation of India. In my opinion the bank has not complied with the Accounting Standard – 15 – Employees Benefits.

b) Earned Leave Encashment Liability

Provision made for liability towards Earned Leave Encashment is not in accordance with Actuarial Valuation as required by the "Accounting Standard – 15 – Employees Benefits.". The total provision made up to 31-03-2021 amounts to Rs. 2.95 crores based on liability computed by the bank. In my opinion the actual liability has to be ascertained and provided for on the basis of Actuarial Valuation Certificate.



c) Fixed Assets

The bank has not maintained the Fixed assets register properly with full particulars of quantity, situation and written down value of Assets. The Bank has not made any physical verification of fixed assets during the year. The physical verification of previous year had revealed damages to the extent of Rs.11.30 lakhs in Furniture and Name Boards account and Rs. 12.97 in Computer and Electronics account, which has been taken at cost. The Loss, if any, has not been ascertained and written off in the accounts in this year also.

d) Membership in Credit Information Companies

The Bank has taken membership in all four Credit Information Companies (CICs). But during the year only three memberships were renewed and the fourth one was renewed subsequently. The Bank has not started uploading the required information to CIC's portal. The Customer information and Data from the CICs are not seen used in credit appraisal.

e) Salary Arrears

The bank has made provision for Rs. 5.65 crores for the Salary arrears effective from 01-04-2018 on the basis of calculations made by the management.

Qualified Opinion

6. In my opinion and to the best of my information and according to the explanations given to me, except for the effects of the matters described in the basis for Qualified Opinion Paragraph, the financial statements together with Notes thereon give information required by the Banking Regulation Act, 1949 and guidelines issued by Reserve Bank of India in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- in the case of the Balance Sheet, of the State of the affairs of the bank as at 31st March, 2021;
 - in the case of Profit and Loss Account, of the Profit for the year ended on that date; and
 - in the case of the Cash Flow Statement, of the cash flow for the year ended on that date.



Report on other Legal and Regulatory Requirements

7. The Balance sheet and Profit and Loss account have been drawn in Form – A and B respectively of Third schedule to the Banking Regulation Act, 1949.

8. I report that:

- a) I have obtained all the information and explanations, which to the best of my knowledge and belief were necessary for the purposes of my audit and have found to be satisfactory;
- b) In my opinion, proper books of accounts as required by law have been kept by the Bank so far as appears from my examination of those books;
- c) The transactions of the bank which have come to my notice are within the powers of the bank;
- d) The Balance sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with books of Accounts; and
- e) The accounting standards adopted by the Bank are consistent with those laid down by accounting principles generally accepted in India so far as applicable to bank.

**FOR SURENDRAN & CO.,
CHARTERED ACCOUNTANTS
FIRM REGN NO.004253S**

Sd/-

**V.SURENDRAN
(Proprietor)
Membership No.022840
UDIN:21022840AAAABI5396**

**Kodungallur
03-09-2021**